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JANUARY 20, 1990
A BILL PUBLICATION

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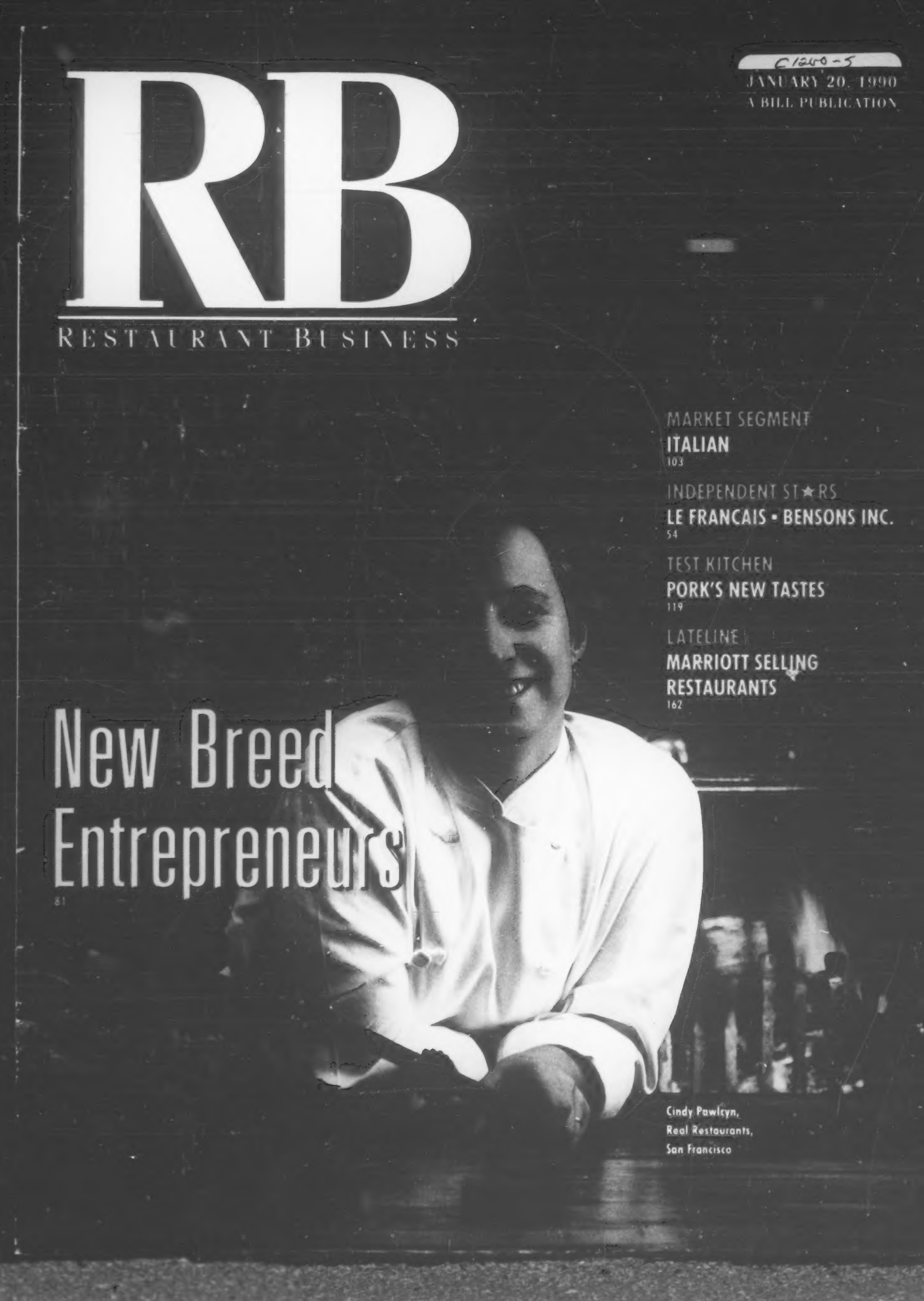
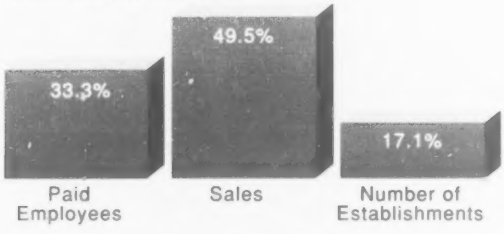


Cindy Pawlcyn,
Real Restaurants,
San Francisco

BUSINESS BAROMETER

EATING PLACE CENSUS OF RETAIL TRADE
Percent Change 1982-1987



Eating Place Sales Gain

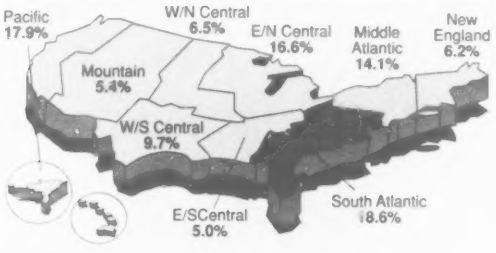
Since 1967, the U.S. Department of Commerce has conducted the Census of Retail Trade at five-year intervals as a means of monitoring the retail trade industry, including Eating Places. Total Retail Trade sales reached $1.5 trillion in 1987, with Eating Places accounting for nearly 10%, or $139 million. This represents a 49.5% increase from the 1982 census.

Part of this growth can be attributed to the 17.1% increase in the number of eating establishments (to 332,6611 in 1987). This figure, however, represents only establishments with payrolls, and thus excludes a number of family-run restaurants, and understates the actual size of the industry. The Department of Commerce is scheduled to release figures on establishments without payroll this spring.

Similarly, the number of paid employees jumped 33.3% between 1982 and 1987, to 5.787 million.

SOURCE: 1987 Census of Retail Trade

REGIONAL DISTRIBUTION OF EATING PLACE SALES



Regional Distribution

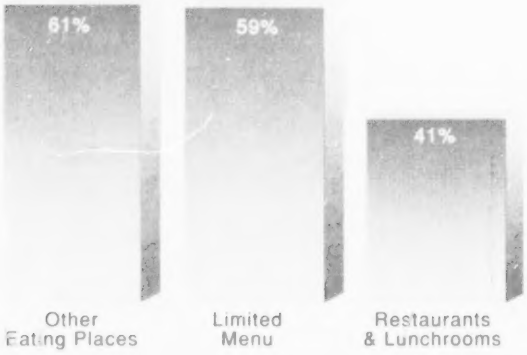
The South Atlantic region (Delaware, Maryland, Washington, DC, Georgia, Florida, and the Virginias and Carolinas) now represents the largest census region for Eating Place sales with $25.9 billion, or 18.6% of total U.S. Eating Place sales.

The South Atlantic region registered a sales increase of more than 68% from 1982 to 1987, leading all regions and passing the Pacific and East North Central regions notched sales increases below the national average of 49.5%. New England and the East South Central. Both the Pacific and East North Central regions were the second-and third-fastest- growing areas, but both remained modest in their share of total Eating Place sales with 6.2% and 5.5%, respectively.

The energy-dependent West South Central recorded the slowest growth, with a 31% five-year increase in sales. It now represents 9.7% of total sales, down from 11.1% in 1982.

SOURCE: 1987 Census of Retail Trade

SALES BY TYPE OF EATING PLACE ESTABLISHMENT
Percent Change 1983-1987



Restaurants and Lunchrooms

Restaurants and lunchroom sales reached $66.4 billion in 1987—a 41% increase over 1982—to remain the largest segment within Eating Places.

However, fast food enjoyed a much faster growth rate, rising 59% for the same period. Sales grew to $6.9 billion, or roughly 41% of all Eating Place sales (compared with 38% in 1982).

The Other Eating Places category (including social caterers, contract feeders, and ice cream and frozen yogurt stands) showed the fastest growth in sales, up more than 61%, to $12.3 billion.

SOURCE: 1987 Census of Retail Trade

RESTAURANT BUSINESS

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COVER STORY

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UPCOMING INDUSTRY EVENT

The second annual **CENTER-OF-PLATE** Foodservice Conference will be held in Chicago April 2 to 4. It is sponsored by the American Meat Institute and *Restaurant Business* magazine. For more information, contact Nancy Nugent, AMI, PO Box 3556, Washington, DC 20007; 703-841-2400.

Cover photo of Cindy Pawlcyn by Mark Tuschman

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MARKET SEGMENT REPORT

ITALIAN

MANICOTTI PANCETTA CALAMARE VEAL SCALLOPINE RAVIOLI CANNELLONI PANZEROTTI MARINARA LINGUINE

Traffic at Italian restaurants grew 50% in the five-year period from 1982 to 1988.

By Nancy Cohen

At a time when market saturation and slowed growth are forcing operators throughout the industry to rethink expansion strategies, the Italian segment remains remarkably healthy. Traditionally dominated by independents, the segment is now experiencing tremendous chain growth—and shows every sign of having room for more.

According to the National Restaurant Association, Italian restaurant traffic jumped more than 50% between 1982 and 1988. And, in 1989, Italian led the pack of ethnic cuisines by logging an 8% to 10% unit growth rate, according to Millie Lemajich of Restaurant Consulting Group, Evanston, IL (ReCount).

The number of eating establishments specializing in Italian cuisine now totals 8,300, according to Lemajich; 6,570 of those are independent operators. And while the independent sector continues to grow at double the industry's overall rate, Italian-theme chains are growing at an even faster clip, Lemajich says.

INFLUENCE. Not only is the number of Italian eating places on the ascent, but the growing popularity of Italian foods has also had widespread influence on non-Italian menus.

"We're seeing Italian cooking becoming Americanized," says Bob Gilka, vice president of marketing and advertising for The Spaghetti Warehouse, Garland, TX. "There's a rise in the number of full-service restaurants serving pasta as a specialty menu item, from Bennigan's to T.G.I. Fridays." The latter's menu now includes seven pasta dishes, from manicotti to fettuccine with spicy sausage and peppers, and entrees such as chicken parmesan—side by side with American standards such as chicken fingers and baby back ribs.

The pervasiveness of Italian foods now extends to upscale restaurants as well. "Spaghetti is served even in hotel dining rooms and yuppie restaurants—only now they call it 'pasta' and charge $11 for it," agrees Guss Dussin, president, Old Spaghetti Factory, Portland, OR. "The whole market has changed."

In fact, Americans are continuing to eat 5% more pasta annually. According to the National Pasta Association, U.S. pasta consumption swelled to a volume of 4.2 billion lb., or 17.1 lb. per person in 1988.

HEALTHY. The proliferation of Italian food is keyed to the much-touted health benefits of its staples—pasta, seafood, olive oil, and leafy greens—in an increasingly health-oriented market.

"McDonald's, Jack in the Box, and Wendy's have all begun to shift away from beef and items with high cholesterol, and introduce chicken, salads, and fish," notes Kim Tucci, co-owner of The Pasta House, St. Louis. "The Italian menu has built-in appeal and health, whatever your diet. Pizza-pasta-salad restaurants are the new equivalent of the old steak establishments."

The growth of chains in a segment traditionally dominated by independents is also spurring demand for Ital-

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Spaghetti Warehouse serves spaghetti with 11 sauces, and lasagna and cannelloni.

MARKET SEGMENT REPORT

ITALIAN

MANICOTTI PANCETTA CALAMARE VEAL SCALLOPINE RAVIOLI CANNELLONI PANZEROTTI MARINARA LINGUI

ian foods, according to Larry Reyburn, vice president of marketing, Sbarro, Commack, NY.

GREATER AVAILABILITY. "With our expansion, Olive Garden's, and that of the regional chains, we've brought affordable Italian foods to the consumer," he says. "And availability drives popularity."

Clearly, the consumer is responding. Sbarro, the only national fast-food Italian chain, founded in 1955, continues to surge across the country with its cafeteria-style concept, located mostly in shopping malls. In 1988, the chain opened 68 new units, for a total of 316 in the U.S., Puerto Rico, and Canada. Systemwide sales similarly grew by 33% during 1988 to total $154 million, and corporate revenues grew 35% to $117.3 million. In 1989, an additional 55 units brought Sbarro's total to 371.

Likewise, General Mills has carved out a part of the burgeoning market for itself with its midscale Italian dinner-house concept, Olive Garden. The parent company's deep pockets have provided for the heady growth of the Orlando, FL-based chain of company-owned units at the rate of one per week for the last two years, and for this year as well. The current tally is 150 units (see *RB*'s cover story, Oct. 10, 1989).

"The Olive Garden strategy is to be number one within the segment," says Anne Powell, manager of communications. "And we've got the system in place to do it; from the outset, we had the people and all the support that (sister chain) Red Lobster could afford."

The rapid growth of newcomer Olive Garden hasn't slowed that of Sbarro: Current growth plans call for another 50 to 75 Sbarro restaurants to open this year. "We're not competing for the same occasion," says Reyburn. "Olive Garden is more upscale. With our mall locations, we can capture the quick-service impulse customer, and our average check is considerably less. I think we complement rather than battle each other as we expand, together popularizing the category."

Sbarro's fast-food concept offers pizza (which accounts for 30% to 35% of sales) as well as Italian-menu staples such as baked ziti ($3.99), calzones ($2.99), and eggplant Parmesan sandwiches ($3.99). Although the chain has aimed at mall locations, it is now growing through nontraditional avenues via franchising agreements: Marriott Corp. operates nine Sbarro units on toll plazas in Florida, Massachusetts, and Pennsylvania; Concessionaire Inc. operates Sbarros in three airports.

Traditionally dominated by independents, the segment is now experiencing chain growth.

Spaghetti Warehouse operates 14 midprice, family-oriented restaurants.

EXPANSION ALTERNATIVE. Sbarro's first freestanding unit should be in test by late spring, near company headquarters in East Northport, NY. "If the formula works, we'll look at it as an expansion alternative," says Reyburn.

Olive Garden's own expansion has been facilitated by the availability of restaurant locations ready for conversion. But even though the corporate giant is spreading swiftly throughout the country, Olive Garden has sought to establish the personal touch of enthusiastic service—"hospitaliano," to provide value plus hospitality—which translates into continual refills of salad, bread sticks, soups, and nonalcoholic beverages, all for an average per-person dinner tab of about $10.

With sales increases of 128% in fiscal 1988, to $171 million, and of 78% in 1989, to $304 million, Olive Garden has not only established the market for Italian dinner-house chains, it has encouraged others to join in.

"Olive Garden has proven that the market's out there, while other markets aren't growing at the same rate," says Fuddruckers founder Philip Romano. "A lot of horses are lining up now for the number two-spot." Romano is

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ITALIAN

MANICOTTI PANCETTA CALAMARE VEAL SCALLOPINE RAVIOLI CANNELLONI PANZEROTTI MARINARA LINGUINE

himself angling to win a position at the gate with his restaurant concept, Romano's Macaroni Grill.

The first Macaroni Grill opened 18 months ago in a converted dance hall in Leon Springs, TX, 12 miles outside of San Antonio. Already, it is logging annual sales of $1.7 million, he says. At press time, Chili's Inc. acquired the concept for 152,000 newly issued shares of Chili's common stock with an estimated value of $4.5 million. Chili's plans to open additional Macaroni Grill units.

Romano describes the Macaroni Grill as an extension of his Italian roots, with an at-home atmosphere complete with an exhibition kitchen and jugs of wine on each table. But the menu is a far cry from plates of homey spaghetti and meatballs. Selections include a variety of pasta, gourmet pizza, and grilled meats and seafood, such as: penne with veal and carrot sauce; charbroiled quail wrapped in pancetta; osso bucco; and scallopine di calamare. With wine, the average check is $15.

START-UP. Pasta Lovers Trattoria is another new chain entrant that hopes to multiply nationwide from its four-unit base. Founders Louis Pappas and James Karras have teamed up with Jeno Paulucci, founder of Chun King Corp., Jeno's Inc., and R.J. Reynolds Foods, to expand the concept into a nationally franchised chain.

The original Pasta Lovers opened three years ago in New York City, and now grosses $1.8 million annually, Paulucci says. It has since been joined by two other New York locations, and a fourth that opened in Heathrow, FL.

"We're offering the entrepreneur an opportunity to get into this market that he doesn't have with Olive Garden (which does not franchise)," says Paulucci. "And he doesn't need a million-dollar investment to do it."

The franchise investment, which includes one of three restaurant designs, ranges from $250,000 to $400,000. Sauces will be prepared at a new central commissary, and all products will be offered to franchisees at cost. Total food costs should not exceed 25%, Paulucci claims.

The casual, full-service restaurant seats 70 to 90. Menu selections include: spaghetti with fresh salmon and basil in tomato cream sauce ($9.95); pasta with green peas, mushrooms, and prosciutto in light cream sauce ($8.50); risotto with Italian sausage and bell peppers ($8.95); and veal scallopine stuffed with mozzarella and prosciutto ($12.95).

Spectrum Foods' latest creation is Tutto Mare, which opened in Newport Beach, CA.

Italian leads the ethnic cuisines in unit growth.

REVISED PLANS. Two other Italian chain concepts may soon be available from Jerrico Inc., Lexington, KY. Since its leveraged buyout last September, Long John Silver's parent has had to revise its plans to approach the Italian segment, according to Robert Sirkis, executive vice president, operations.

The firm has put its four-year-old Italian restaurant concept, the seven-unit Florenz, up for sale, either as individual pieces of real estate or as a chain concept, says Sirkis. "The decision to sell was part of our refinancing package following the LBO," he says. "We need to consolidate our resources now and focus on Long John Silver's."

A full-service restaurant may not have been the optimum concept for Jer-

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MARKET SEGMENT REPORT

ITALIAN

MANICOTTI PANCETTA CALAMARE VEAL SCALLOPINE RAVIOLI CANNELLONI PANZEROTTI MARINARA LINGUINE

rico's entry into the Italian segment, Sirkis admits. "Florenz is a young business and a good one, but we're much better at operating fast-food restaurants, and feel we should stay close to what we do best."

Aiming to do just that, Jerrico launched Fazoli's, a quick-service Italian chain in September 1988; the fifth unit opened recently in Lexington, KY. But since the LBO, Jerrico does not have the capital to expand it further, and has not yet decided whether to sell the concept or begin to franchise.

Each Fazoli's unit offers dine-in, carry-out, and drive-thru services."Italian food is perceived as expensive and slow," Sirkis says. "Except in New York City, even pizza hasn't been perceived as a portable fast food, but here we can serve lasagna in 45 seconds."

Fazoli's offers meals plated either for an individual or a family: The "Feast for Four" is a bucket of spaghetti to go for $4.99. Also on the menu are chicken cacciatore, ravioli, pizza, and submarine sandwiches. Per-person checks average $3.25 at lunch and dinner.

REVERSION. Jerrico is not the only fast-feeder to change its approach to the Italian market recently. Imasco USA Inc., Hardee's parent, has sold the Grisanti's chain of restaurants back to the chain's president, Michael Grisanti, only five years after acquiring it.

In the repurchase, Grisanti acquired nine full-service Grisanti's restaurants, one Casa Grisanti, one Mama Grisanti, and one Grisanti catering unit. At the time of the merger with Imasco, Grisanti's numbered only four units.

Although the Louisville, KY-based chain did triple in size under Imasco, its growth was notably slow during a period marked by the explosive development of Italian concepts such as Olive Garden.

"The bottom line was that, with limited funds, Imasco was better off continuing to develop Hardee's," Grisanti says. His own expansion plans for the chain are modest. "I believe very strongly in the Grisanti's concept and the segment's growth, but we're more focused on quality than quantity. We'll grow as we can."

Jerrico's Fazoli's is a quick-service Italian chain.

Grisanti's approach to quality is exemplified by the pasta and sauces prepared fresh daily in each restaurant. The 250-seat units offer not only standards such as spaghetti and meat sauce, but also cannelloni and cheese panzerotti (two large pasta turnovers filled with five cheeses and topped with peppers, olives, and marinara). Other entrees include seafood linguine and veal portafoglio (stuffed with chicken, spinach, mushrooms, prosciutto, and mozzarella, fried and topped with Madeira sauce). The average dinner check is $10.50.

COMPETITIVE CLIMATE. With 25 units, and over $25 million in annual sales, The Pasta House family restaurants, based in St. Louis, ranks as the largest privately held Italian chain. But while the company has a firm foothold in the markets it has developed since opening in 1967, co-owner Kim Tucci believes that the chain won't be able to grow further in the newly competitive market without outside investment.

"Olive Garden really can't penetrate our markets, because we were the pioneers here; we're serving four million people in Missouri a year," Tucci says. But the chain similarly cannot crack into Olive Garden's backyard, and pulled out of its two Florida units a few years ago. The Pasta House has sought an acquiring company since a deal with Pillsbury fell through several years ago; Tucci is also willing to license the concept.

Competition may limit The Pasta House's unit growth, but the chain aggressively promotes itself to build existing store sales. Its "Reading, wRiting, and Ravioli" program offers children a free portion of ravioli for every book report written and submitted to their teachers. This year, 150,000 book reports were submitted in St. Louis, Tucci says.

The "Good Business Neighbor Club" targets the business community with The Pasta House credit cards, which offer 20% off any purchase. The company is also doubling its direct mailings of buy-one-get-one-free promotions to 3.2 million this year, for a total of 30 million coupons in circulation.

The Pasta House's newest promotion, an art contest that targets high school students, plays off the chain's slogan, "for people with a taste for great Italian works of art." Students compete for scholarships and cash prizes by submitting their versions of Italian masterpieces, altered to incorporate a plate of spaghetti into the original design.

FRESH MARKET. Florentine Italian Foods has found that building on its name and its reputation for fresh pasta through retail vehicles has been one of its most successful marketing devices. The 15-unit, San Jose, CA-based chain

of restaurants and pasta markets experienced a growth spurt this year, boosted by the volume demands of a new commissary. "We built a large kitchen for our filled pastas and our sauces about a year and a half ago, and we had to open more units to warrant the expense," says president Michael Del Monaco.

In 1988, Del Monaco added retail counters for sauces and uncooked fresh pasta to each of his eight restaurants and to the new pasta factory. He then expanded the concept in May 1989 with the acquisition of a small local retail chain, Pasta Today, now converted to four Pasta Markets and selling pasta and hot foods to go. Most recently, Del Monaco opened two retail markets inside the upscale Cosentino's groceries.

The proliferation of the Florentine brand at retail has helped to sell over one ton of ravioli per week. Fresh pasta accounts for 65% of restaurant sales, although the menu includes a range of veal, chicken, and seafood dishes.

A hands-on approach to menu development has been a key to Del Monaco's success since launching Florentine's in 1964. "Whatever we like at home, we bring to the restaurant and it seems to work," he says. "My wife's *pasta e fasul* soup is now as popular as our minestrone soup. We add things all the time, like a new spicy ravioli we call Italian Cajun, filled with chicken sausage, mushrooms, tomatoes and chili sauce." A new light menu includes vegetable lasagna and fish with a light tomato sauce.

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The fast-growing popularity of Italian cuisine has had widespread influence on non-Italian menus.

Look who ran away with the fork, the knife and the spoon.

Campbell

MARKET SEGMENT REPORT

ITALIAN

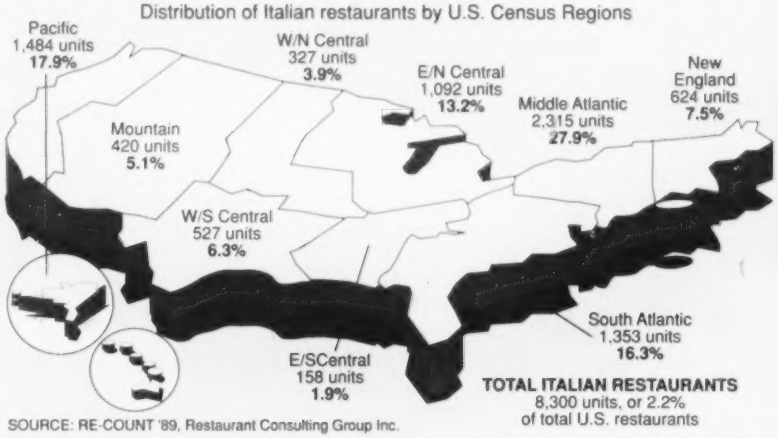
MANICOTTI PANCETTA CALAMARE VEAL SCALLOPINE RAVIOLI CANNELLONI PANZEROTTI MARINARA LINGUIN

FLEXIBILITY. The flexibility to adapt to changing tastes has likewise kept Portland, OR-based, 24-unit Old Spaghetti Factory (OSF) growing after 21 years in the business. "Our original idea for OSF was to find a specialization; instead of steak, omelets, or fish, we chose spaghetti," says president Guss Dussin. "And at the beginning it was simple, just a spaghetti dinner—not even meatballs—complete for $1.75." A fun, turn-of-the-century atmosphere remains a key part of OSF's formula.

"But we've diversified in the last three years to widen our appeal and meet the competition," he says. Now, in addition to spaghetti with seven sauces, OSF offers tortellini and fettuccine Alfredo and "a very labor-intensive lasagna," says Dussin. Currently

DOVE A MANGIARI

Distribution of Italian restaurants by U.S. Census Regions



TOTAL ITALIAN RESTAURANTS
8,300 units, or 2.2% of total U.S. restaurants

SOURCE: RE-COUNT '89, Restaurant Consulting Group Inc.

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in test are chicken parmesan and Greek chicken (with garlic, oregano, olive oil, lemon, and a side of spaghetti with Mizithra cheese). Nonetheless, spaghetti still garners 65% to 70% of sales.

Though Dussin reports sales increases of 6% to 8%, he has also cautiously raised prices, "in 2% to 3% nibbles," to counteract rising costs, especially labor costs in his California markets. The average check now comes in at $6.25.

Dussin expects OSF to continue to expand at its current rate of one company-owned unit every 12 to 18 months in the U.S. Overseas expansion via franchise agreements has been successful, he says: In Japan, the franchisee is ready to add two units to the existing eight. One Old Spaghetti Factory is also operating in Hamburg, Germany.

MIDPRICE MARKET. Old Spaghetti Warehouse, Garland, TX, is focusing its future growth on U.S. markets with populations of at least half a million to support its oversized restaurants. The midprice family-oriented chain now numbers 14 units, each seating 425 to 450.

One new market for the chain is New York State, which it began to penetrate in 1988 with units in Buffalo and Syracuse; a unit in Rochester is due to open in February. To prepare for additional expansion at the rate of three stores a year, the chain plans to open a management training facility in Fort Worth, TX, this year. It has already added an in-house construction and design de-

continued on page 114

In the U.S., pasta consumption reached 4.2 billion pounds in 1988, or 17.1 pounds per person.

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MARKET SEGMENT REPORT

ITALIAN

MANICOTTI PANCETTA CALAMARE VEAL SCALLOPINE RAVIOLI CANNELLONI PANZEROTTI MARINARA LINGUINE

partment, as well as a third area supervisor to the management team.

Spaghetti Warehouse restaurants serve up spaghetti with 11 sauces, as well as lasagna, cannelloni, and combination platters in a nostalgic, casual setting. Average dinner checks are $8.

While chainwide promotions like "Dad eats for free" are an important merchandising elements, executives also emphasize the importance of store involvement at the community level. "Each store is encouraged to be involved in everything from sponsorships of races to fundraisers for local concerns," says Bob Gilka, vice president of advertising and marketing. "It's critical to maintaining our exposure as a local institution."

The formula paid off with record results in the last year. Fiscal year 1989 ended July 1 with net income increases of 71.2% to $1.87 million. Revenues increased 19.6% to $28 million, and average unit sales for stores at least 12 months old rose 14.8% to $2.4 million.

Pasta is popular at all price points. Italian cuisine lends itself readily to upscale concepts and multi-unit restaurant developers, as well.

The Levy Organization's elegant flagship restaurant, Spiaggia in Chicago, is enjoying an annual volume of $5 million serving sophisticated fare such as duck sausage, sage, and goat cheese pizza; roast pheasant with mushrooms, rosemary, sage, garlic, and creamy polenta; and marinated, grilled sliced veal steak with potato garlic puree and roasted peppers.

Likewise, Dallas-based Crillon Management Group, keeps rolling out Sfuzzi (Dallas, Houston, New York City, plus the soon-to-open Great Neck, NY, Washington, DC, and Boston units), appealing to an upscale crowd with an informal setting and dishes such as tagliatelli with grilled chicken, winter vegetables, and gorgonzola; and shrimp, scallops, zucchini, roasted peppers, and pesto pizza. (See story on Sfuzzi in *RB*'s Nov. 20, 1989 issue.)

Stylish Italian restaurants have also become a cornerstone of Richard Melman's Lettuce Entertain You Enterprises (LEYE), which continues to add such concepts to the Chicago-based operations. The most recent entry, Tucci

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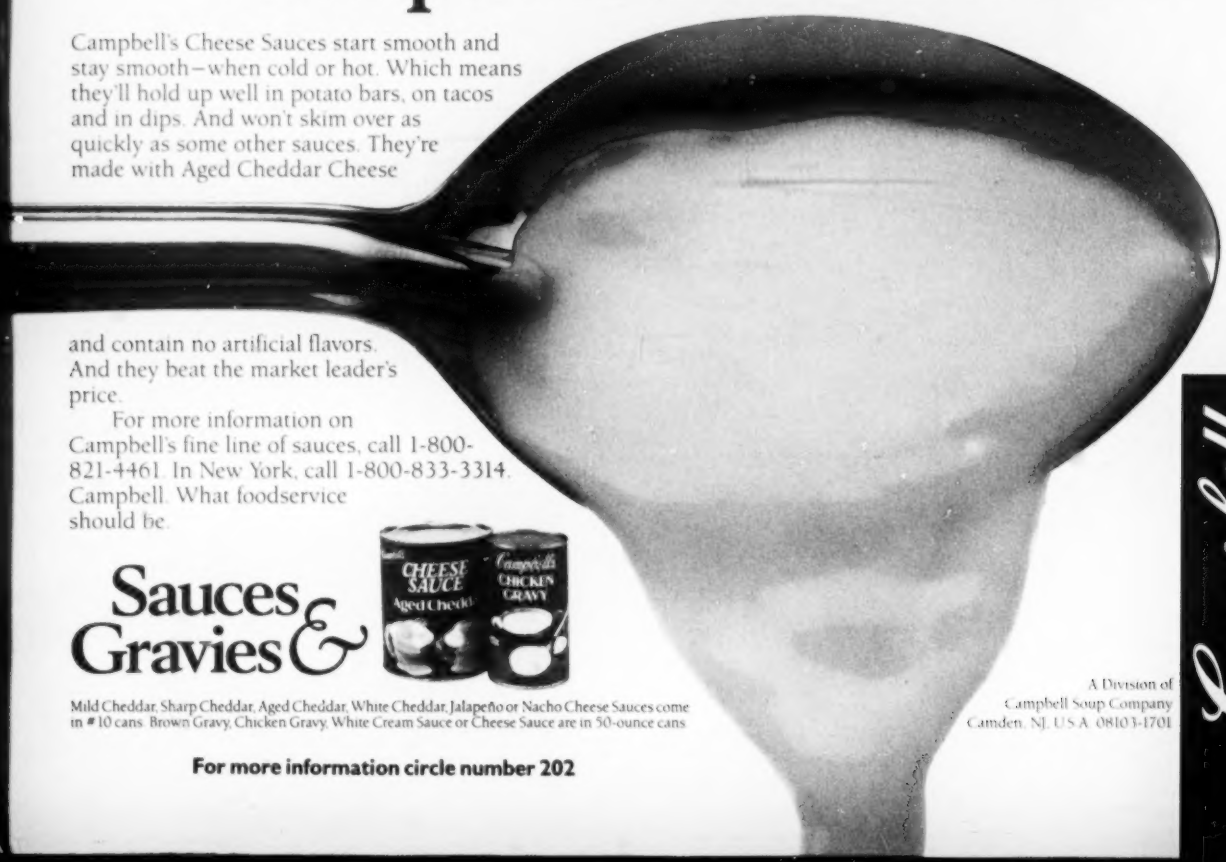

and contain no artificial flavors. And they beat the market leader's price.

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Sauces & Gravies

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Milan, joins LEYE's Tucci Bennuch, Scoozi, and Avanzare, and features thin-crust pizza and homemade pasta and sauces.

Big Four Restaurants, Phoenix, plans to add another Italian concept to its string of specialty restaurants that includes Ed Debevic's and Steamers. Due to open in Scottsdale in June, Aldo Baldo will be a "sophisticated, high-end—but fun and eclectic—restaurant," according to Barbara Gordon, director of marketing.

With an average check of $18, Aldo Baldo will serve primarily pasta and grilled pizza.

MANY FORMATS. Of Spectrum Foods' 10 upscale concepts, (including Prego, Spiedini, Tutto Bene, Spuntino, and Chianti) all but two are Italian. The Italian formats range from the casual trattoria Ciao to the formal Harry's Bar and American Grill (patterned on the original Harry's Bar in Florence, Italy, and serving Venetian and Florentine specialties), but each shares a focus on classic Italian fare.

"Here in San Francisco we have chefs taking very creative directions, especially with Pacific Rim ingredients fused with traditional food," says Jim Kauffman, Spectrum's director of operations. "So for us it is more important than ever to take an authentic and untrendy approach to Italian foods, and not mix our messages."

CREATIVE COMBINATIONS. Selections from Harry's Bar and American Grill menu include: braised fresh rabbit, grapes, and grappa; grilled veal chop, virgin olive oil, and lemon; pasta filled with smoked salmon and ricotta, with crème fraîche, champagne, and cucumber; and saffron fettuccine with artichoke hearts, prosciutto, cream, parmesan, and basil.

The latest creation of the San Francisco-based firm is Tutto Mare, which opened in Newport Beach last April with a focus on seafood. Specialties include whole fresh fish baked in an oak-burning oven, and homemade pastas such as sea bass gnocchi with clams and tomato sauce, or black and white triangles filled with fish, with garlic and tomato sauce.

The Grisanti's chain is once again owned by president Michael Grisanti.

The number of restaurants specializing in Italian food totals 8,300, according to Re-Count.

With the proliferation of Northern Italian restaurants in Southern California, Spectrum has directed its attention toward personal service and promotion. "You can design great menus, but you must find ways to personalize the rest of the experience for your customers, and put a face on the restaurant," Kauffman says.

Offering its services to benefits and charities is one way Spectrum reaches into the community. One recent promotion suggested gift certificates for the holidays; a portion of the proceeds will go to an earthquake victims' relief fund. An additional benefit, Kauffman points out, is that most of the holiday certificates are redeemed in the typically slow month of January.

Other special events that Spectrum promotes include a monthly regional menu at each restaurant, pairing food and wine from specific areas in Italy. Direct mail to promote the event "nurtures the relationship with our customers," says Kauffman.

MATURATION. As the Italian segment continues to mature, the midscale restaurants and chains may begin to mimic the specialization of the most sophisticated establishments, predicts Olive Garden's Powell.

"The shift toward Italian foods other than spaghetti should continue," she says. "And the segment will continue to fragment beyond 'pizza' to regionalized niches."